

## **Regarding Zijin Mining Group's Suspected Intentional Delay in Disclosing Information about its Pollution Incident**

### **An Open Letter to the Hong Kong Stock Exchange and Shanghai Stock Exchange**

Hong Kong Stock Exchange and Shanghai Stock Exchange:

We would like to call to the attention of the Hong Kong Stock Exchange (HKEx) and Shanghai Stock Exchange (SSE) the actions of the listed company **Zijin Mining Group (2899.HK, 601899.SH)**. This company has been suspected of inappropriate acts and deliberate delay in the disclosure of information related to a major pollution incident. We request that the HKEx and SSE thoroughly carry out an investigation into this matter. Following verification that violations were committed, we request that the HKSE and SSE issue a public denouncement and appropriate punishment. Concurrently, we call on the HKEx and SSE to improve their institutional rules and regulations regarding information disclosure to ensure effective protection of the environment and affected communities, and to uphold investor interests.

According to an article published by Xinhua News Agency on July 3, 2010, an incident occurred at the Zijin Mining Group's Zijinshan Copper Mine. The incident involved a leak of 9,100 cubic meters of acid from the plant's wet sewage facilities into the Ting River, resulting in serious pollution and the death of 1890 tons of aquatic life. The Zijin Mining Group not only delayed public announcement of this grievous incident for a period of nine days but also claimed that the reason for the pollution incident was due to rainfall, stating, "this leakage incident is primarily related to natural disaster. It was impossible to predict."<sup>1</sup>

This statement clearly contradicts official judgements rendered on the case. On July 15, 2010, the Ministry of Environmental Protection, Fujian Province Environmental Protection Bureau, Longyan City Government, and Longyan Environment Protection Department declared after collectively investigating the incident that the main cause of Zijin Mining Group's incident was admittedly sustained heavy rainfall. However, the underlying cause of the leakage was improper facilities management. They stated that, "due to the fact that the surface of the yard and the base of the pool had not hardened sufficiently" the "entire coating used for preventing seepage tore and split to varying degrees, causing a serious pollution leak problem." In addition, it was also discovered that the aforementioned enterprise had committed further illegal offenses

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<sup>1</sup> Zijin Mining Group Encounters Major Pollution Incident, Nine Days Delay in Disclosure, First Financial Daily, July 13, 2010. 紫金矿业遭遇重大污染事故 9天后方披露, 第一财经日报, 2010年07月13日

by opening observation well number six and flood drainage ways, allowing sewage leakage to directly discharge into the Ting River. In September 2009, the Fujian Province Department for Environmental Protection discovered during inspection that the discharge from the flood drainage ways exceeded the quota for waste water discharge to the Ting River. They demanded that the enterprise immediately undergo measures to rectify this problem and reform their procedures. However, no such corrective measures were put in place.<sup>2</sup>

As a result of the investigative verdict, it is evident that the cause of the Zijinshan Copper Mine pollution incident was not an unpredictable natural event but rather a series of human errors. Zijin's Securities Department General Manager made an absurd statement on July 14th to China Youth Daily stating, "the lack of a prompt announcement about the accident was for the purpose of maintaining stability, as to not arouse the local people's panic and fear."<sup>3</sup> This demonstrates Zijin Mining Group's deliberate procrastination and intentional delay in disclosing the company's waste water leakage information. Not only was the lack of information unable to eliminate the public fears, instead it brought about serious damage to the ecological environment. Other problems involved the health threat to people living downstream and harm to investors who suffered significant financial losses.

This is not the first time Zijin Mining has had such pollution problems. Since 2005 this enterprise has broken different environmental rules and regulations in Hebei, Xinjiang, and Guizhou, resulting in both accidents and violations. These incidents led to a number of toxic and hazardous substances being discharged into local water bodies.<sup>4</sup> After an investigation, we found no evidence to suggest that the company

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<sup>2</sup> Ministry of Environmental Protection: Three Main Reasons Caused Zijin Mining Group's Pollution Incident, Xinhua Net, July 16, 2010. □保部：三大原因造成紫金□□□染事故，新□网，2010年07

月16日

<sup>3</sup> Zijin Mining Group Executive Said Delayed Information Disclosure Was for Maintaining Stability; Feared Disclosure Might Arouse Panic and Fear, China Youth On Line-China Youth Daily, July 15, 2010. 紫金□□高管称□□□□□事故信息 担心引恐慌，中青在□-中国青年□，2010-07-15

<sup>4</sup> E. g., Xinhua News reported, "[o]n December 27, 2006, Guizhou Zijin Mining Group's Zhenfeng Shuiyindong Gold Mine, located in south west Guizhou Province Bouyei and Miao Autonomous Prefecture Zhenfeng County, had a tailings sub-dam leakage. The incident caused the overflow of about 200,000 m<sup>3</sup> of waste residue and waste water containing highly toxic potassium cyanide. The waste flowed into the abandoned Xiaochang Reservoir, and some entered Baifen Reservoir which is still used by local farmers."

例如，据新华网报道，“2006年12月27日，位于贵州省黔西南布依族苗族自治州贞丰县的贵州紫金公司贞丰水银洞金矿尾矿库发生子坝滑脱，约20万方含有剧毒氰化钾等成分的废渣废水溢出，流进下游已废弃的小厂水库，部分进入当地农民仍在使用的白坟水库。”

has made any public disclosure of this information. In 2007 to 2008, the Environmental Protection Department instituted inspections of listed companies and pledged to rectify and reform environmental issues that surfaced from these inspections. On May 14, 2010 the Environmental Protection Department publicly announced and circulated a notice of criticism against this company in particular and its untimely response to environmental issues. Apart from Zijin Mining, there were also several sub-subsidiary companies that were subject to the Environmental Protection Department's criticism.<sup>5</sup> Responding to the Environmental Protection Department's criticisms, Zijin Mining merely gave a brief reply concerning Zijinshan copper mine's rectification and reform developments, stating that "rectification has already been completed."

It must be noted that Zijin Mining Group's unforgivable delay in information disclosure is only the tip of the iceberg. In March 2010 a report from the Beijing-based Institute of Public and Environmental Affairs and Sihui Environmental Policy Institute found that 175 companies from mainland China listed on the HKEx had a total of over 750 records of environmental violation. These violation figures exceeded those reported by HKEx's annual report and there has been little mention of these matters on HKSE's official website. There is an even greater absence of related explanations or details of corrective follow-ups.<sup>6</sup>

Zijin Mining Group has repeatedly violated regulations and failed to effectively disclose information regarding pollution incidents. As a result, they should bear full responsibility for their actions. However, we also feel that the Stock Exchange has also left their behaviour unchecked. This lack of attention allowed the situation to worsen and has left the natural environment, society at large, and investors to bear the brunt of these serious violations and their effects. It is with this in mind that we call for reflection on and alteration of management systems surrounding these issues.

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<sup>5</sup> The Ministry of Environmental Protection pointed out that Zijin Mining Group "failed to complete its rectification of environmental problems. The leachate sewage treatment system of Xiatianliao ceased operation in September 2009 without approval from the environmental protection department. Its operation remains suspended at the time of on-site inspection. Tailings leachate, after being collected by the collecting pool, was discharged directly to the tailing reservoir without treatment." 环保部指出，紫金山铜矿“未按期完成整改的环保问题：下田寮渗滤液污水处理系统未经环保部门批准自2009年9月停运，现场检查时仍处停运状态；尾矿渣渗滤液经收集池收集后，未经处理直接排入后库”。

<sup>6</sup> To Overcome Disclosure Deficiencies Hong Kong Has its Responsibility, Institute of Public and Environmental Affairs, Civic Exchange, March 2010. 克服披露缺陷香港有责，公众环境研究中

At this point, we request that the HKEx and SSE conduct a thorough investigation into the delayed disclosure of information surrounding environmental incidents that took place at the Zijin Mine. Once these violations are verified there should be public condemnation and appropriate punishment to deter others from these actions.

Meanwhile, to enable investors to be effectively informed of the environmental risks of listed companies and to allow effective protection of investor interests, we appeal to the HKEx and SSE to improve existing rules and regulations by requiring listed companies to publicly disclose information.

Below are some specific recommendations:

- When listed companies are found to have pollution problems or are being punished for environmental violations, this information should be promptly disclosed to investors.
- When applying for listed company status, a high polluting enterprise must be subjected to more stringent environmental risk information disclosure requirements.
- Listed companies must periodically disclose their use of toxic and hazardous substances and comply with mandatory disclosure of emissions of major pollutants.

We look forward to your response.

自然之友 Friends of Nature

绿家园志愿者 Green Earth Volunteers

云南大众流域 Yunnan Green Watershed

淮河卫士志愿者协会 Huai River Guardian

绿色汉江 Hubei Green Hanjiang

绿眼睛环境组织 Wenzhou Green Eyes

华南自然会 South China Nature Society

河北绿色知音 Hebei Green Friend Association

甘肃绿驼铃 Gansu Green Camel Bell

环友科学技术研究中心 Environment Protection Commonweal Association

公众环境研究中心 Institute of Public and Environmental Affairs

July 23, 2010<sup>7</sup>

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<sup>7</sup> This letter was also sent to Hong Kong Stock Exchange and Shanghai Stock Exchange by Natural Resources Defense Council (NRDC).